

Message Text

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6

ACTION TRSE-00

INFO OCT-01 EUR-25 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 SS-20 STR-08 OMB-01 CEA-02 L-03 H-03 COME-00

FRB-02 XMB-07 CIAE-00 DODE-00 INR-10 NSAE-00 PA-04

USIA-15 PRS-01 DRC-01 /147 W
----- 121233

P 061334Z APR 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 1636

C O N F I D E N T I A L BONN 05615

PASS TREASURY

E.O. 11652: GDS

TAGS: FN, GW

SUBJECT: OFFSET: BUNDESBANK LOAN

1. DURING THE NEGOTIATIONS KLEMM (FINANCE MINISTRY) STATED THAT AFTER HIS RETURN FROM WASHINGTON FINANCE MINISTER SCHMIDT HAD INFORMED THE BUNDESBANK OF THE LOAN NEED IN THE OFFSET. IN DOING SO HE HAD USED THE DM 2.669\$1 EXCHANGE RATE AGREED FOR OFFSET PURPOSES BETWEEN HIM AND SECRETARY SHULTZ AND THEREFORE TOLD THE BUNDESBANK THAT A LOAN OF \$843 MILLION (DM 2,250: 2.669) WAS NEEDED. THE CENTRAL BANK COUNCIL ON THIS BASIS HAD IN LAST MEETING AGREED TO A LOAN OF THIS MAGNITUDE. A \$843 MILLION LOAN COULD BE PAID AS SOON AS ARRANGEMENTS WERE CONCLUDED AND PAID IN WHOLE BEFORE JUNE 30, 1974 IF WE SO DESIRED.

2. IF, HOWEVER, WE DID NOT WANT TO USE THE "AGREED" EXCHANGE RATE OF \$1DM 2.669 BUT INSTEAD USE THE DAILY RATE OF THE DAY AT WHICH TRANSFERS ARE ACTUALLY MADE, THEN THE BUNDESBANK WOULD NOT NECESSARILY BE READY TO MAKE THE WHOLE PAYMENT BEFORE JUNE 30, 19 74.

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3. KLEMM SAID THAT WHILE USE OF THE DAILY RATE MADE IT NECESSARY FOR THE FRG NOW TO PAY A HIGHER DOLLAR AMOUNT FOR THE AGREED DM AMOUNTS BOTH IN THE LOAN AND OTHER PARTS OF THE OFFSET, THIS OF COURSE WOULD NOT NECESSARILY BE TRUE DURING THE WHOLE AGREEMENT PERIOD. THE DOLLAR MIGHT WELL RISE ABOVE DM 2.69. HE WANTED TO MAKE SURE THE US SIDE REALIZED THAT IT COULD NOT HAVE IT BOTH WAYS AND EITHER HAD TO USE THE DM 2.669 RATE THROUGHOUT THE AGREEMENT FOR THE WHOLE PERIOD THAT IT CAN OR HAD TO USE THE DAILY RATE THROUGHOUT. WE COULD NOT USE THE WE COULD NOT USE THE DAILY RATE NOW AND LATER ON IF THE DM 2.669 RATE SHOULD BE MORE FAVORABLE POINT TO THE SHULTZ/SCHMIDT AGREEMENT IN ORDER TO USE IT INSTEAD.

4. WE INDICATED A PREFERENCE FOR THE DAILY RATE.
HILLENBRAND

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Message Attributes

Automatic Decaptioning: X
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Draft Date: 06 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
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Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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US Department of State
EO Systematic Review
30 JUN 2005

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Review Withdrawn Fields: n/a
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To: STATE
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